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TRANSPORTATION AND COMPETITION IN SOUTH AMERICAN MARKETS

The growth of American foreign trade, and the fact that the character of this trade is rapidly changing so as to include a much larger percentage of manufactured goods, has within the past five years strongly attracted the attention of students of export business to some of the secondary conditions by which such trade is directly affected. There has been an increasing amount of study of the terms upon which our exports are admitted to foreign markets. This was strikingly indicated during the discussion of the Payne-Aldrich tariff, with its provision for so-called maximum and minimum rates. Similar attention has been devoted to the commercial regulations, pure food legislation, and other similar enactments enforced by the nations with which our chief export business is carried on. Special effort has been made to secure the participation of American banking houses in foreign loans, particularly where such participation implies a subsequent sale of American goods to the countries in which the loan is placed. But, in all this discussion and among all the various topics relating to international competition to which attention has especially been directed, none, probably, has received more attention than that of transportation. At the same time, use has been made of this interest in foreign trade and in the conditions of transportation affecting it, to further so far as possible the ever present demand for ship subsidies and kindred subventions. In consequence of this use of the movement, there has been a considerable growth in the volume of unrelated and frequently false assertions by which the subject is surrounded. The lack of an American merchant marine has been constantly insisted upon as being in some way, not very clearly explained, the reason for an alleged lack of favorable conditions of transportation between the United States and foreign countries.

Coincident with the trend of opinion and agitation just referred to, there has been a growth of interest in the South American market. In many ways, this market offers a peculiarly favorable field for exploitation. It has large possibilities of expansion, and the trade of the United States with South America is already great, although one-sided. The dominating position of the United States in the Western Hemisphere has led many to the belief that we

might develop a commercial policy that would place us strongly in the lead as compared with other countries competing for the South American market. There has been an opinion in governmental as well as business circles that the countries to the south of us might, by diplomatic methods, be induced to give us preferential tariff rates and other advantages that we could hardly hope to get in Europe. Much nonsense about South American trade has been developed along with, in more recent times, some good sense and shrewd analysis of the different elements of the export problem. In this connection, special attention has been given to the fact that very few American vessels were engaged in the trade. Statesmen who have returned from journeys around South America have pointedly commented upon the fact that they seldom or never saw the American flag at the masthead of any vessel unless it were a ship of war or a chance yacht navigated at the whim of its owner through South or Central American waters. Taken with the partly natural and partly artificial interest in transportation as a factor in foreign trade already referred to, this close attention to the South American situation has developed a special cult having to do with the conditions of transportation between the United States and South American markets. So far has this cult been carried that, in nearly all of the ship-subsidy discussions of recent years, the last stronghold occupied by the advocates of such subsidies has been the alleged need of an American fleet in South American trade—this need being founded upon the asserted fact that our indifferent success in certain South American markets was largely, if not wholly, due to unfavorable conditions of transportation from this country to those markets.

Out of all this doubt emerges the clear question: Precisely how far does American success in trade with South America depend upon the conditions of transportation to her markets? In other words, how favorably or unfavorably is the American exporter placed in his effort to get into those markets upon terms of equality with his British, German, and other competitors? This question, of course, should be studied exclusively from the transportation point of view, if it be desired to secure a clear-cut reply. In the following discussion, it will, therefore, be assumed that transportation conditions are the only ones to be considered, tariffs, restrictive regulations of various kinds, and the like, being omitted. The inquiry will be devoted exclusively to the question

how far an American exporter having goods which may be assumed to be exactly equal in quality, price, and attractiveness to those of his foreign competitors can succeed in putting his wares into the hands of South American buyers under existing conditions of shipment.

I

The first question to be considered in this connection will be the amount and character of the tonnage offering from American ports to those of South America. This may be dealt with first, because of the fact that it has been more discussed and disputed than any other element in the problem, because of the circumstance that it is apparently the phase of the subject upon which the most anxiety is by many persons expended, and because of the circumstance that vessel conditions, rates, etc., are less subject to control by governmental agencies than any other. All this makes the tonnage problem fundamental. It may be considered under three heads: (1) Adequacy of tonnage, (2) regularity of sailings, and (3) speed and promptness of delivery. There have been many assertions that at present the quantity of tonnage offering for trade with South America is entirely inadequate. Such assertions have been based upon the claim that vessels made triangular trips from European points to South America, thence to New York or other North American points, and so home. On their outward voyage, they would carry European manufactures; on the second leg of the trip they would carry South American products, such as coffee, to the United States; and on the return voyage they would load with American exports for Europe. These statements have been so frequently and so positively made that they are accepted by many as almost axiomatic. It must, however, be admitted that the best judges of the situation are those actually engaged in the trade and that the adequacy of the tonnage must be measured by the number and size of the vessels leaving the United States for direct voyages to South America. We may, therefore, first consider the testimony of merchants engaged in South American trade. On April 10, 1910, the following statement with reference to the adequacy of the tonnage available to South American points from the United States was prepared and signed by six American firms in New York most largely engaged in exporting to South America. The communication read as follows:¹

¹ *Journal of Commerce and Commercial Bulletin New York City*, April 25, 1910.

A great deal has been published with reference to the trade between the United States and South America which is so misleading and erroneous that we venture to put before the public the actual facts with which we, as merchants engaged in trade between this country and the South American countries are intimately acquainted. At present there are five lines going direct to Brazil; the departures are regular, and a sufficient number of the vessels are quite as speedy as the trade will warrant. To the Argentine, seven lines are running with six to eight departures each month, and these furnish more than ample accommodations for the requirement of the trade. To both Brazil and Argentina the freight rates are below those available by our European competitors, and no cargo is shipped from this country via European ports to either Brazil or the Argentine. Northbound from both countries the freight asked to the United States is lower than to any other country

Hard & Rand, 107 Wall St.

Crossmann & Sielcken, 90 Wall St.

G. Amsinck & Co., 7 Hanover St.

Gravenhorst & Co., 90 Wall St.

Thomsen & Co., 90 Wall St.

Allerton D. Hitch & Co., 80 South St.

These names speak for themselves. They are representative of some of the best as well as the largest concerns engaged in South American business. If their information on the subject to which they refer is not accurate, it would be hard to find any practical men of business who have such information. To this testimony, however, may fairly be added one or two other statements from authoritative sources with reference to the same question. President J. A. Farrell of the United States Steel Corporation, speaking before the Pan-American Commercial Congress at Washington, February, 1911, made the following remark:

The growth and development of trade and commerce between the United States and the countries of Latin America has now been increased to such proportions that there are frequent sailings between ports of the United States, on the Atlantic and Gulf coast, direct to the ports of Latin America on both the east and west coast.²

In a similar strain, Mr. J. F. Fowler, of W. R. Grace & Co., the well-known vessel owners, remarked:

I have been astonished to hear such frequent assertions that we lack steamship facilities to South America Any day of the business year will find thirty to forty steamers announced as loading, or about to load, for the whole range from the Amazon River down the east coast and around to the west coast of South America, and the

² *Proceedings of the Pan-American Commercial Conference, 1911*, p. 22.

freight rates are as low as and frequently much lower than those from Europe.³

This testimony may be supplemented by an actual statement of sailings from New York to South and Central American ports as follows:

April 29, 1910: *Prinz Sigismund* (M. & P.), Cartagena, etc.; *Capac*, Chile, Peru, etc.; *Queen Helena* (M.), Montevideo, etc.

April 30: *Atrato* (M. & P.), Colon, etc.; *Advance* (M. & P.), Colon, etc.; *Angus*, Montevideo, etc.; *Corrientes* (M.), Pernambuco, etc.; *Drumcondra* (M.), Montevideo, etc.; *Fenchurch* (M.), Montevideo, etc.; *Maracaibo* (M. & P.), La Guaira, etc.; *Newton Hall*, Chile, Peru, etc.; *Sibiria* (M. & P.), Colon, etc.

May 2: *Oruba* (M. & P.), Colon, etc.; *Marowijne* (M.), Paramaribo, etc.

May 3: *Wintringham* (M.), Montevideo, etc.

May 5: *Byron* (M. & P.), Rio Janeiro, etc.; *Almirante* (M. & P.), Colombia, etc.; *Altai* (M. & P.), Cartagena etc.; *Clement* (M. & P.), Para, etc.

May 6: *Panama* (M. & P.), Colon; *P. der Nederl'n* (M. & P.), Paramaribo, etc.; *Zulia* (M. & P.), La Guaira, etc.

May 7: *Hyades* (M.), Montevideo, etc.; *P. Aug. Wil.* (M. & P.), Porto Colombia, etc.; *Philadelphia* (M. & P.), La Guaira, etc.

May 10: *Desterro* (M. & P.), Pernambuco, etc.

May 13: *P. Eitel Friedrich* (M. & P.), Colombia, etc.

May 14: *Rio Janeiro* (M. & P.), Pernambuco, etc.; *Tagus* (M. & P.), Colon, etc.

May 15: *Melderskin*, Chile, Peru, etc.; *Cuthbert* (M. & P.), Para, etc.; *Drumlanrig* (M.), Montevideo, etc.; *Gloria de Larrinaga* (M.), Montevideo, etc.; *Francis* (M. & P.), Para, etc.

May 18: *Galicia* (M. & P.), Pernambuco, etc.

May 19: *Metapan* (M. & P.), Porto Colombia, etc.; *Horatius* (M.), Montevideo, etc.

May 20: *Vasari* (M. & P.), Rio Janeiro, etc.; *Black Prince* (M. & P.), Pernambuco, etc.

May 21: *Caracas* (M. & P.), La Guaira, etc.

May 25: *Eastern Prince* (M.), Pernambuco, etc.; *Chipana*, Chile, Peru, etc.

May 26: *P. di Piemonte* (P.), Buenos Ayres, etc.

May 27: *Tocantins* (M.), Pernambuco, etc.

May 28: *Oruba* (M. & P.), Colon, etc.

May 30: *Redhill* (M.), Montevideo, etc.; *Dochra* (M.), Montevideo, etc.

May 31: *Portreath* (M.), Montevideo, etc.

June 3: *Tennyson* (M. & P.), Rio Janeiro, etc.

June 5: *Cearense* (M.), Para, etc.

June 11: *Trent* (M. & P.), Colon, etc.

³ *Ibid.*, p. 182.

June 14: *Minas Gereas* (M. & P.), Pernambuco, etc.

June 15: *Francis* (M. & P.), Para, etc.

June 25: *Purus* (M.), Pernambuco, etc.

June 30: *Foxton Hall*, Chile, Peru, etc.

Barber and Co. of New York City give the following as a representative month's sailing in 1911 to the Argentine alone:

		Registered Tonnage	Estimated Tons Cargo
Dec.	1 Alton.....	3536	5500
	3 Storstad	5978	12594
	4 Drumeldrie	4630	8087
	6 Tintoretto	4181	7500
	6 Coniston Water	3738	6200
	14 Chinese Prince	4834	5985
	15 Kathleen	3908	7000
	15 Drumcliff	4072	7480
	17 Foxton Hall	4247	2149
	18 Pilar de Larrinaga	4136	7630
	18 Ikala	4322	7800
	19 Voltaire	8406	7300
	21 Herminium	3548	5600
	24 Thode Fagelund	4352	6535
	24 Aymeric	4363	7023

II

Granting that the amount of tonnage offering from New York to South American ports and back again is considered adequate by those who are engaged in the business, and should therefore be satisfactory to others, so far as its mere amount is concerned, a second question may be raised. This is: Are the rates between New York and other American ports and South America sufficiently low to be reasonable; and are they charged in an equitable and legitimate manner? In answering this question it will be assumed that a "reasonably low" rate is a rate that corresponds to the general or average rate obtaining between South American ports and export points which are situated somewhat similarly, as to distance, etc., to those of the United States. Attention may first be given to the general level of rates and their reasonableness. The following statement showing comparative freight rates from various European and American points to Pernambuco and Rio de Janeiro, Brazil, prepared by Mr. Allerton D. Hitch of New York (a large exporter), from data personally compiled by him, exhibits the comparative position of shippers at those ports with

reference to certain important commodities which constitute a large percentage of Brazilian import business.

FREIGHT RATES TO PERNAMBUCO. PREPAID, INCLUDING LIGHTERAGE, AT
DESTINATION. [May 19, 1910.]

	Trieste	Hamburg	Liverpool	New York	Lighterage
Flour in barrels, freight per 215 pounds.	\$0.7137	\$0.6435	\$0.5854	\$0.4640	40 cents and 6.4 cents lighterage.
Flour in sacks, freight per 98 pounds.	.3253	.2933	.2670	.2070	17.5 cents and 3.2 cents lighterage.
Kerosene in cases, freight per case (10 gallons).		.4272	.3887	.1680	13 cents and 3.8 cents lighterage.
Cement in barrels, freight per ton (2,240 pounds).		6.2980		4.89	\$4 and 89 cents lighterage.
Barbed wire in reels, freight per ton (2,240 pounds).		5.3630		5.00	Lighterage included.
Rosin in barrels, freight per 280 pounds.			1.3725	.6350	47.5 cents and 16 cents lighterage.
Hardware and sundries, freight per cubic foot.		.34		.24	Lighterage included.
Turpentine in cases, freight per case (10 gallons).			.5614	.50	Do.

FREIGHT RATES TO RIO DE JANEIRO. PREPAID, INCLUDING LIGHTERAGE AT
DESTINATION. [May 19, 1910.]

	Hamburg	Liverpool	New York	Lighterage
Flour in barrels, freight per 215 pounds.		\$0.7025	\$0.544	40 cents and 14.4 cents lighterage.
Flour in sacks, freight per 98 pounds.		.3204	.247	17.5 cents and 7.2 cents lighterage.
Kerosene in cases, freight per case 10 gallons.	\$0.4758	.4319	.204	14 cents and 6.4 cents lighterage.
Cement in barrels, freight per 2,240 pounds.	6.298		5.44	\$4 and \$1.44 lighterage.
Rosin in barrels, freight per 280 pounds.		1.5250	.619	47.5 cents and 14.4 cents lighterage.
Sundries, freight per cubic foot	.374		.24	Lighterage included.
Barbed wire in reels, freight per 2,240 pounds.	6.034		5.00	Do.
Turpentine in cases, freight per case 10 gallons.		.6046	.50	Do.

From this statement it is seen that at the date when the computation was made (and conditions are now substantially similar relatively speaking to what they were at that time, although the general level of all freights is much higher), New York exporters were in a more favorable position than those at Trieste, Hamburg or Liverpool, with respect to flour, kerosene, cement, barbed wire, rosin, hardware, and turpentine, in the trade with Pernambuco. In the trade with Rio de Janeiro, the New York exporters were better off as to flour, kerosene, cement, rosin, sundries, barbed wire, and turpentine. These rates represent substantially the

general condition of affairs in trade with South America. The simple fact in the case is that, owing to the large demand of the United States for South American products and the considerable quantity of direct tonnage needed to convey such goods from South American ports to the United States, it is possible to make a very reasonable return rate or export rate on goods going from the United States to the South American ports. Not only are the existing rates thus low as compared with those charged from European export points to South America but they are also low absolutely. The testimony both of those engaged in the carrying trade between the United States and South America, and of men shipping goods in that trade, is on this point identical, and is to the effect that the rates between the United States and South America have at many times during the past few years been as low as they could practically go if the vessels were to continue in business. The uniform testimony of exporters and shippers furnished to the congressional committee investigating the charges of improper influence in behalf of subsidies in Congress⁴ was to the effect that freight rates lower than then existed would drive many vessels out of business, that there was an enormous amount of tonnage offering to South American ports, that the amount of freight available to occupy this tonnage was almost always inadequate, and that nothing more in the way of reasonable freight rates could be desired by shippers if they desired to see the steamship business maintained upon a living basis. Since that time there has been a large advance in rates but relative conditions have not changed.

The other side of the freight rate question—whether or not preferences and rebates are allowed by vessels engaged in the South American business in order to develop the trade of certain concerns—has also received a good deal of attention. It is admitted that there exists between various steamship lines and shippers a standard agreement whereby a rebate of 10 per cent on coffee shipments is to be made by such lines to firms or individuals who for a complete period of twelve months have continuously shipped their consignments by the same line or lines. It is also conceded that this contract or rebate system is open on the same terms to all shippers who desire to take advantage of it and merely operates as a general reduced rate affecting all shippers equally, provided

⁴ *H. R. Report*, No. 2297, 61 Cong., 3 Sess., pp. 664, etc.

they live up to the same terms and conditions. A copy of the form of agreement in force two years ago and substantially representing the conditions at the present time is given in a note below.⁵

⁵ *Memorandum of agreement between Messrs. ———— (hereinafter called the "Shippers"), and the Royal Mail Steam Packet Company, Hamburg Sudamerikanische Dampfschiffahrts-Gesellschaft, Hamburg-Amerika Linie, Norddeutscher Lloyd, Lamport & Holt, Prince Line (Ld.), (hereinafter called the "Lines"), whereby it is agreed as follows:*

1. That subject to the conditions hereinafter expressed the Lines will pay a rebate of 10 per cent on the freight on coffee shipped from Rio de Janeiro and Victoria by their respective steamers to the ports of Antwerp, Amsterdam, Rotterdam, Copenhagen, and the Rivers Weser and Elbe, and to ports in the United States of America, during the year beginning 1st September, 1909, and ending 31st August, 1910, and thereafter year by year until further notice.

The rebate to be paid to the shippers will be computed every twelve months say, up to 31st August in each year, and be payable three months afterwards, but only if they have confined their shipments to Antwerp, Amsterdam, Rotterdam, Copenhagen, and the Rivers Weser and Elbe and Copenhagen, and to ports in the United States, to the Lines.

No rebate will be paid on sample lots nor on additional freight charged for delivery at post-terminal destinations of goods shipped on through or optional bills of lading.

A statement of rebate claim must be made on a form as annexed and presented within three months after the 31st August to the agents of the line which has carried the shipments in respect of which the rebate is claimed.

2. That the freight to Europe shall not be more than five shillings sterling and five per cent primage per ton in excess of that at which coffee can be shipped and actually received at the time in question by outside steamers, with a minimum rate of twenty-five shillings and five per cent primage.

3. That the rate to the United States shall not be more than 10 cents and 5 per cent primage per bag in excess of that at which coffee can be shipped and actually received at the time in question by outside steamers, with a minimum rate of thirty cents and five per cent primage.

4. That no exporter shall be allowed more favorable conditions than another.

5. That fourteen days' notice will be given of any increase in the rate of freight, and the tonnage required by the shippers will be supplied at the lower rate at the time notice is given to the extent of tonnage available by the ships of the Lines loading within fourteen days from the date of notice.

6. In case the Lines fail to supply the available tonnage required at the above rates of freight by their own or chartered steamers within a reasonable time, say fourteen days from the date of request, or if their current rate be not in accordance with what is stipulated in clauses 2 and 3 of this agreement, the shipper shall be at liberty to charter or ship in an outside vessel or vessels, or a part or parts thereof, without prejudice to their right to rebate under this agreement. In case of the shippers deciding to charter outside tonnage upon the grounds that the rate of freight charged by the Lines be

Beyond this general 10 per cent reduction in freight rates based on continuous patronage of a single line, it does not appear that there is any preference or discrimination between shippers. All those who have been examined before congressional committees within recent years have positively asserted that they had no complaint of the sort to make, but that, on the contrary, the rates were uniform so far as they were aware. The same testimony has been given under oath by representatives of all of the principal steamship lines operating between this country and South America, and no evidence of any kind or description has ever been produced to establish the contrary. That there are variations in rates from time to time, both upward and downward, and that there is occasionally more or less competitive underbidding is generally admitted. But, in none of the investigations held within the past few

at any particular time more than 5/ and 5 per cent per ton and 10 cents and 5 per cent per bag, respectively, in excess of the rates of freight at which coffee could be shipped in quantity at the time, quoted by outside steamers, then the shippers shall produce to the agents of the Lines in Brazil, at the time of such outside chartering, evidence as to the latter rate of freight. It is understood and agreed that the shippers will not offer, directly or indirectly, any chartered tonnage of theirs to other shippers at a lower rate of freight than their own charter rate.

7. Until further notice any shipments by steamers of the National Brazilian Line, under the Brazilian flag, to the United States, and of the Koninklijke Hollandsche Lloyd to Amsterdam, at not under the rates of freight and conditions of the Lines will not prejudice the shippers' claims to rebate.

8. All disputes arising upon this agreement shall be referred to arbitration in London under the terms of the Arbitration Act, 1889. In any such arbitration all protests, certificates of brokers, surveys and other mercantile documents shall be admitted in evidence for what they are worth.

Dated _____, 1909.

CLAIM FOR REBATE.

RIO DE JANEIRO, VICTORIA, 31st August, 1910.

Messrs. _____

We beg to give below a list of the shipments of coffee we have made by the steamers of your line from 1st September, 1909, until 31st August, 1910, on the freight on which we are entitled to a rebate of _____ per cent, in accordance with the memorandum of agreement signed by us.

We hereby declare that during the period named above we have not been interested, directly or indirectly, either as principals or agents, in other shipments of coffee from Rio de Janeiro or Victoria to the ports of Antwerp, Amsterdam, Rotterdam, Copenhagen and the rivers Weser and Elbe or to ports in the United States of America, by any steamers other than those of

years by members of the House of Representatives, has there been even a colorable case presented in behalf of the claim that discriminating rates designed to favor foreign countries, or to favor American agencies of foreign firms, or to favor one set of American firms above another actually existed. So far as can be ascertained, therefore, it may be taken as satisfactorily established that rates to South America and from South American ports to the United States are upon a satisfactory basis in so far as the absence of discriminations and preferences can make them so.

In connection with this question of rebates it seems proper to call attention to the fact that proceedings are now pending in the United States District Court for the Southern District of New York, in which the United States appears as petitioner against the Prince line, the Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, and the Hamburg-Südamerikanische Dampfschiff-fahrts-Gesellschaft and others. These lines connect New York with Brazilian ports and New Orleans with the same, while the Hamburg lines connect New York with Brazil and German ports with Brazil. The petition filed by Henry A. Wise, United States Attorney for the Southern District of New York, on behalf of the government, asserts the existence of a traffic agreement between

The Royal Mail Steam Packet Company, The Hamburg Sudamerikanische Dampfschiffahrts-Gesellschaft, the Hamburg-Amerika Linie, the Nord-deutscher Lloyd, Messrs. Lamport & Holt, or the Prince Line (Ltd.).

(Signature must be that of the firm or of a person duly authorized to sign for the firm.)

(Signature of shippers:) _____

(Address:) _____.

This claim will be valid only if presented within three months from this date.

N. B.—These particulars must accord with the bills of lading of the shipments.

Date of shipment	Steamer	Destination	Marks	Freight, including primage	Per cent rebate

Shipments at not under conference rates of freight and conditions, to the United States of America by steamers of the National Brazilian Line, under the Brazilian flag, and to Amsterdam by steamers of the Koninklijke Nederlandsche Lloyd, will not invalidate claims for rebate.

the concerns named, wherein the government charges are found covenants for the following purposes:

(a) For fixing the total number of sailings and apportioning them among the said lines;

(b) For the withdrawal of the steamships of the Hamburg Lines then engaged in the traffic from Brazilian ports to the port of New Orleans and that the defendant proprietors of the Lamport & Holt Line should conduct all such traffic;

(c) For a system of rebates to shippers who confined their shipments to the lines of the defendants and lines which any of the defendants might be in combination;

(d) For tariff of rates for the carriage of freight in the trade and commerce aforesaid and be adhered to by each of the lines.

This pooling agreement was terminated in 1908 but another of similar character is alleged to be in existence at the present time.

Moreover, it is asserted in the petition referred to that the steamship lines:

Established schedules of dates for the sailings of the vessels of said lines, whereby dates have been arbitrarily fixed upon which the vessels of each of said lines should be permitted to sail to the United States from Brazil and from Brazil to the United States, and after such conferences the action there taken has been communicated to each, all and every one of the defendants; and said defendants and all of them have thereafter so conducted their respective business and affairs as to conform to and carry into operation the plans and schemes adopted at such conferences, and said defendant proprietors and their representatives have at said conferences used divers other means in furtherance of said combination and conspiracy.

It will be observed that the two principal points made in this bill of complaint are: (1) An agreement between the lines as to the distribution of sailings in regard to time; and (2) the establishment of a rebate or bonus system in favor of those who send all their freight over these lines. The companies have never contended that there was no arrangement among them as to the distribution of sailings, that being necessary as a matter of trade practice in order to secure an even distribution of tonnage and freight, and being in no way necessarily an evil to the shipper but in many respects a decided benefit. As for the rebate system, no secret has ever been made with respect to that, but every shipper has been informed that rebates upon the terms already sketched above were open to him. This subject has been dealt with in the foregoing discussion. The rebates, as already stated, have involved no discrimination between shippers. The government has not yet

proved its case against the steamship companies, but even if it had fully done so, it does not appear that there would be anything therein to show either the charging of excessive rates or the application of unreasonable or improper treatment to the goods of shippers. That shippers do not feel that they have been improperly treated in any of these respects is shown by the evidence already cited with reference to their expressions of opinion regarding the conditions of transportation between the United States and South American ports, and by much more to the same purpose easily accessible to any one who chooses to investigate further. It is undoubtedly the feeling of shipping interests, that the government's suit is chiefly intended to show vigor in the enforcement of the Sherman anti-trust law, and is primarily technical rather than founded upon any actual developments in regard to the infliction of hardship upon shippers of American goods. It need not, therefore, so far as any evidence now available is concerned, be considered to have a very direct bearing upon the questions considered in the current discussion of the transportation question in its relation to South American trade.

III

A third problem relating to the trade between the United States and South America has to do with the question of directness and speed of communication. Two current assertions are afloat with respect to the South American situation: (1) That much mail and passenger traffic is obliged to go by way of Europe; and (2) that that portion of the business which is carried direct between North and South American ports is subject to lengthy delays which interfere seriously with business and which place the merchant engaged in the export trade at a very serious disadvantage. This also is a question of fact which can be settled by stating the exact conditions obtaining in the business and the attitude of those dependent upon steamship communication toward existing arrangements. The belief that it is necessary to go to Europe in order to obtain a satisfactory passage for South America, or that under ordinary circumstances it is desirable or customary to send mail via Europe, may as well be laid aside. The facts in the case show that the most important business letters are now sent direct to South American points from New York. As one of the largest firms doing business with Brazil told the committee of the House of Representatives investigating ship subsidies in 1911:

We write by the direct steamers and only write by way of Europe to send duplicates; or, in case it so happens that we want to get something off just after some direct steamer has sailed. That, however, is very seldom. . . . It takes about six or seven days longer to get to Rio and Pernambuco where our principal business is

While it is admitted that in case an intending traveler should take one of the fastest steamers from the United States to Europe and should successfully make a close connection with a fast steamer for a South American point, quicker time could be made than by taking a direct steamer from the United States to the same South American point, this would be true only under very exceptional circumstances, so that as a matter of fact the great majority of the passengers bound for ports in Brazil and the Argentine now go direct. While, moreover, it is admitted that the steamships plying between New York and South American ports are far from being as good as the best of those between the United States and Europe, and are probably inferior to the best of those plying between South American and European points, they are pronounced entirely satisfactory by those who have been in the habit of using them and who have also had experience with the other vessels referred to. About 21 days are now required under favorable conditions for the delivery of a letter from Buenos Ayres to New York and vice versa, while from 27 to 31 days are necessary in case the letter is mailed via Europe. The best of the steamers running between New York and Brazilian points make from 14 to 16 knots per hour on the average—on the whole an adequate speed considering the volume of traffic, and one which satisfies the postal requirements of the United States government. Abundance of testimony on all these points is now available, and every statement just made can be fully substantiated by the repeated testimony of the exporters, importers, and travelers who are engaged in business operations involving the United States and practically every one of the South American countries. To review it would be a tiresome iteration of the same facts in slightly differing language. It is a remarkable but unquestionable circumstance that so simple and familiar a condition of affairs should require the presentation of extensive sworn testimony. That such testimony has been offered, that it has been presented by responsible men of unquestionable authority and standing in the export trade of the United States, and that it is now available to anyone who cares to investi-

gate the subject in absolutely authentic and unimpeachable form are all matters of record. The fact, whether agreeable or the reverse, should be accepted as such by those who are interested in the study of the practical conditions affecting the transportation of goods and passengers between the United States and South America. The truth is that faster time can be made between the United States and South American ports by the direct route than by any route via Europe, and that the accommodations, while not the finest known upon the ocean, are of a satisfactory type and as good as those provided for an equal volume of traffic in other parts of the world. It should be noted, moreover, that very excessive emphasis has been laid upon the question of letter communication between North and South America. All urgent orders, under the present reduced scale of charges, are transmitted by cable, and on important matters there is little disposition to rely upon the mails whether fast or slow, except for the purpose of conveying advices for whose delivery time is not a very important factor.

IV

Attention may now be given to the relation between railroad rates and the delivery of commodities. It is an obvious fact that where commodities originate in the interior of the United States or of some competing country an important element in the cost of delivering them at an interior South American point may be the rail rate to points of shipment. If, therefore, discrimination is allowed in favor of export goods, it may be possible for countries sending such goods abroad to give to their exporters an advantage in a competitive market as compared with American exporters entering the same market upon otherwise equal terms. The whole question in such cases is whether the low rail rate accorded by the country which is most to be feared by our exporters is lower than the corresponding rate which must be paid by our own exporters situated in the interior.

The two countries which we have found most active in their competition with us in South American markets are Germany and Great Britain. Rail rates in Great Britain are considerably less important as a factor in export costs than are corresponding rates in Germany. This is partly because many of England's chief manufacturing export centers are close to the seacoast, if not directly situated thereon. Germany must, therefore, be taken as

the country whose discriminations and preferences should be most anxiously regarded by American shippers. There is a well-developed policy in favor of low export rates over German railways. Exactly how this operates and the extent to which it is carried may be exemplified in the following brief table compiled by the American consulate general at Berlin and published in the report of the National Waterways Commission.

EXPORT RATES PER TON (2,204.6 POUNDS), ON SEVERAL CLASSES OF GOODS ON GERMAN RAILWAYS, IN CARLOAD LOTS OF 10 TONS.

From	To	Distance miles	Class of goods	Export rate dollars	Normal rate dollars
Cologne	Hamburg	267.2	Copper goods, lead in blocks; tubes	3.14	6.38
"	"	267.2	Zinc in sheets, etc.	3.17	4.86
"	"	267.2	Cotton goods	3.64	6.38
"	"	267.2	Machinery and machine parts; ironwares	2.52	4.86
"	"	267.2	Iron plates, locomotives, etc.	1.33	3.83
Frankfurt	"	330.6	Machines and ironwares	3.07	6.00
"	Bremen	285.2	"	2.69	5.21
"	Lubeck	358.5	"	3.31	6.47
"	Hamburg	330.6	Iron products, such as beams etc.	1.67	4.71
"	Bremen	285.2	"	1.45	4.12
"	Lubeck	358.5	"	1.79	5.09
Nuremberg	Hamburg	394.6	Thuringian wares, toys, etc.	5.83	9.33
"	Bremen	362.3	"	5.45	8.66
"	Lubeck	405.1	"	6.02	9.64

The same subject has been investigated by the British consul general at Frankfurt in a report on "Specially reduced rates on through tariffs for export." From that document it is found that:

Special and very considerable facilities are offered for goods consigned on German railways to German ports for export, which are carried on a further reduced scale styled "export tariff," which represents a very considerable reduction upon Tariffs I, II, and III referred to. In some cases similar export tariffs operate when the destination is not a German port, as, for instance, when it is intended to assist the sale of a German commodity in competition with a foreign product, such as the carriage of coal to Switzerland and France. The greatest benefit, however, is offered by the through tariff to a number of foreign markets—carriage by rail plus ocean transportation—*viz.*, the German Levant tariff via Hamburg or by the Atlas Line via Bremen; the Southern German Levant tariff via Trieste; and the German East African tariff via Hamburg. These rates not only enable the manufacturer to ship more cheaply than if compelled to send by rail to port, and from port by regular or stray opportunity, with the uncertain charges for transportation from rail to boat, which are included in the through tariffs, but it greatly facilitates his calcu-

lations in offering goods abroad when orders may be gained by promptness in making quotations.⁶

While in the United States very low export rates have been made by American railroads from time to time, the system has not reached the extensive development that has been given to it in

*The following is an example of the rates charged under the different tariffs; iron rails being taken in two quantities, and Frankfurt being taken as the point of departure; the distance from Frankfurt to Hamburg is 311 miles, and the rates given are per 100 miles (220 pounds):

Quantities in metric tons.	Hamburg		Hamburg seaport in transit		Through tariffs total freight	
	At port	In transit	For European non-German port	For non-European port	Frankfurt to Constantinople	Frankfurt to Durban
	Cents	Cents	Cents	Cents	Cents	Cents
5 to 10	66.2	66.2			50.9	96.5
10 or more.	47.1	37.8	37.8	23.3	49.0	94.7

As a further instance, the following figures are given for the carriage of the same goods from Königsberg to Hamburg (524 miles):

Quantities in metric tons	Hamburg		Through tariffs	
	At port	In transit	Königsberg to Constantinople	Königsberg to Durban
5 to 10	\$1.033	\$1.033	\$0.611	\$1.092
10 or more	.891	.897	.581	1.061

From the foregoing tables it is seen that 100 kilos (220 pounds), unit rate for sending a quantity of rails, varying from 5 to 10 metric tons, can be sent cheaper from Frankfurt and Königsberg to Constantinople via Hamburg than from those places to Hamburg only.

It is to be noted that the longer the German railway journey under the through tariff the greater becomes the difference between the cost of carriage to port and the total cost of carriage abroad. For instance, the cost of carriage per 220 pounds, in 5-ton lots, is as follows:

Frankfurt to Hamburg, 66.2 cents; Frankfurt to Constantinople via Hamburg, 50.9 cents; difference in favor of Constantinople, 5.3 cents.

Königsberg to Hamburg, \$1.033; Königsberg to Constantinople via Hamburg, 61.1 cents; difference in favor of Constantinople 42.2 cents.

For anybody acquainted with German commerce there can be no doubt that a great part of its foreign success is due to the low freight charges for German manufacturers to foreign markets.

Germany. With a privately-owned system of railways, it has been considered dangerous to give the full latitude in the matter of low export rates that has been accorded abroad. As was said by the Interstate Commerce Commission in its report of February 5, 1904, in the matter of the publication and filing of tariffs on export and import traffic:

If it [the railroad] is compelled to publish an inland differential, it must accord that rate to any one who offers merchandise for transportation It may, to be sure, publish a through joint rate, and may use its own steamers exclusively in carrying under this rate but in that event it must publish the joint rate and rest therefore under the disadvantage of not being able to vary it as occasion requires. Upon the other hand . . . if the railway line has power to prefer its own steamship to other transportation, to carry to the seaboard for a much lower charge in one case than in the other, this must result in discouraging the development of independent lines to the Pacific coast. The ocean carrying trade to and from those ports must unavoidably become concentrated in those lines having satisfactory rail connections. If now these several lines agree among themselves upon rates from inland points to foreign destinations in exactly the same way that the transcontinental lines themselves have today agreed as to rates between inland points, there would result a condition of monopoly producing much higher through rates than as though the inland carriers were compelled to afford inland service upon the same terms, however the traffic might move by water.

It is impossible, of course, in any general way to specify exactly how competitive conditions on a given shipment would work out unless the nature of such shipment and the place of its origin were exactly known. It may fairly be stated, however, that the export rates of Germany are undoubtedly so arranged as to give German shippers to South American markets some advantage over exporters in this country. The point is not a very important one for the reason that the land portion of the transportation rates is, in the case of a great many commodities, only a small proportion of the transportation cost, while the transportation cost is itself only a percentage of the total value of the goods at the point of delivery, usually a small percentage in the case of the more highly valued articles, although an important consideration in the case of heavy articles such as hardware, iron and steel, and the like. At all events, the practice of foreign countries in this regard is entirely outside the control of the United States, and the question whether in this country we should be disposed to favor exporters by putting an indirect tax upon domestic consumers is not likely

to be answered in the affirmative, inasmuch as the railroads themselves must decide the question, and, as we have seen, are hampered by the general provisions of our legislation against discriminatory rates. On the whole, the point is one that does not call for any very serious consideration. A fair study of foreign trade conditions must inevitably lead to the conclusion that foreign business which must be bought by giving away goods at unreasonably low returns is not worth having.

The effect of railroad rates upon competition in South American markets may also be studied from another standpoint. It is evident that discriminations by South American roads in favor of goods coming from a certain country would put other countries at a disadvantage to the extent that they were shipped into the interior of such a country, and in the proportion that they were dependent upon cheap transportation for their sale. This fact has led to continuous scrutiny of the policy of South American railroads with a view to making sure that no such discriminations were practiced in favor of goods originating in foreign countries. Within recent months, there have been charges that discriminations of this kind were being practiced by South American roads, the mechanism of the scheme being furnished by rate agreements between such roads on the one hand and German and other steamship companies upon the other. The subject is involved in considerable obscurity. All knowledge of such agreements has been denied by the Bureau of Manufactures of the Department of Commerce and Labor, the Bureau of Foreign Trade Relations of the State Department, the Pan-American Union, which keeps a close watch upon South American trade conditions and other governmental agencies, and by leading firms and steamship lines engaged in South American trade. Whatever discriminations there may be, are effectually covered up as through rates from points in Germany to points in the interior of South America. The subject is now under investigation by the House Committee on Merchant Marine and Fisheries but thus far without result.

V

From this review of the transportation problem in its bearing upon South American trade, the conclusion is drawn that little or no evidence exists to show that the United States, in its effort to gain admission to South American markets, is subject to any

serious discrimination in steamship rates ; or to any discrimination whatever when distance and other conditions of competition are considered. As has been seen, ocean rates between the United States and South American ports are relatively low while tonnage is abundant, sailings numerous, and the general condition of transportation fully as good as the volume of traffic warrants. It is undoubtedly true that other countries enjoy better communication with South America than do we ; and that larger, faster, and more frequent vessels are on the runs between English and German ports on the one hand and those of South America on the other. There is, however, nothing whatever to show that such conditions are the result of efforts to discriminate against the United States, but that the conditions of communication are the direct and unmistakable outcome of the conditions and volume of trade existing between the various countries which participate in the commerce. On the ocean, as on land, it is a fact that traffic begets traffic, and satisfactory accommodation begets more and more satisfactory accommodation. As the volume of freight becomes larger and better distributed, it is more and more possible to equalize rates and distribute tonnage. The essential question is, therefore, the development of the conditions that give rise to trade, and the production of goods at a low cost and in a form that makes them demanded by consumers in South America. The improvement of the transportation facilities within recent years shows conclusively that it is entirely possible to develop communication with South America by natural means, and without government subventions.

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